

Providing Appropriate Financial Incentives

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Panel

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Elements of Program Success – Need Balance

1. Technical

Achievable KPP's
(Contract to Threshold;
Incentives to Objective)
Pass Operational Testing

2. Schedule

Achievable
Margin
Integrated with all Suppliers
On time

3. Cost

High confidence target cost
Allow for Risk/mgt. reserve
Appropriate Contract Type

4. Risk Management

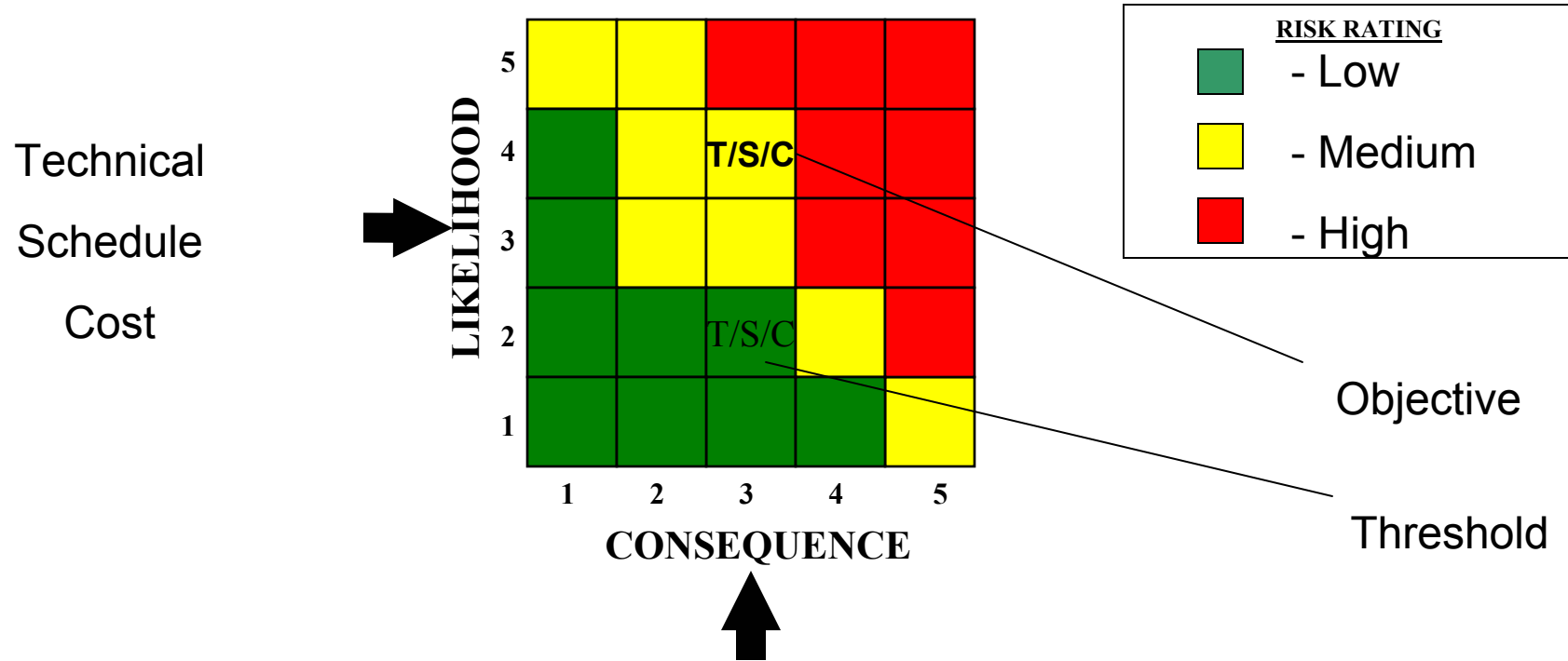
Plan
Assess
Analyze
Handle

5. Manage to Baseline

Adjust for changes
No constructive changes

INCENTIVES NEED TECHNICAL/ SCHEDULE/ COST BALANCE
INCENTIVE ARRANGEMENTS REQUIRE BASELINE DISCIPLINE

Elements of Program Success- Use Risk Analysis Process



**Margin in Technical, Schedule, & Cost
Increases Probability of Program Success
Provides Opportunity to Earn Incentives**

Match Contract Type to Program Risk

